CALL TO ORDER  Chair Richardson called the meeting to order at 9:03 A.M.

ROLL CALL  PRESENT: Bolger, Brenk, Given, Gladstern, McFarland, Piombo (alternate safety), Richardson, Smith, Stevens, Webb (alternate retiree)

ABSENT:  Cooper, Shaw (ex officio alternate)

A. OPEN TIME FOR PUBLIC EXPRESSION
Note:  The public may also address the Committee regarding any agenda item when the Committee considers the item.
No public comment.

B. OLD BUSINESS
None.

C. INVESTMENT CONSULTANT PERFORMANCE UPDATE
Anne Heaphy, Callan Associates Vice President, provided an update of calendar year-to-date investment performance. As of April 30, 2013, the total Fund value is $1.686 billion, with the Fund’s domestic equities returning 12.2% (versus 12.9% for the Russell 3000 Index), and international equities returning 9.3% (versus 6.2% for the MSCI ACWI ex-US IMI Index) for the first four months of 2013. Macroeconomic factors cited by Ms. Heaphy leading to record highs for the Dow Jones Industrial Average and S&P 500 Index included resolution by legislators of the fiscal cliff, positive housing market momentum, and favorable unemployment metrics. Within the equity sector, large cap outperformed small cap and value outperformed growth.

Trustee Given joined the meeting at 9:10 A.M.

Ms. Heaphy provided an analysis of factors affecting individual portfolio performance. For example, she noted that Pyramis performed well due to stock selection in England and Europe, and Eaton Vance outperformed its index due to diversification, country weightings, and exposure to frontier markets. Artisan performance was negatively affected by one of its top ten holdings.
Both core plus fixed income portfolio managers outperformed the Barclays Capital Aggregate Index due to under-weights to U.S. Treasurys and favorable returns in the corporate sector.

Trustee Piombo joined the meeting at 9:15 A.M.

Mr. Wickman introduced County Counsel Renee Brewer as investment counsel.

D. NEW BUSINESS

1. Strategic Asset Allocation (Action)
   Consider and take possible action with regard to allocation of assets

   Investment consultant Jim Callahan, Callan Associates Executive Vice President, referred to discussions at the March Strategic Workshop leading to proposed adjustments to asset classes and allocations. Mr. Callahan listed the modest expectations for the capital markets for the next ten years as one key factor in considering altering the existing asset allocation. Keeping the number of managers and complexity of the Fund at a manageable level were cited as secondary goals by Mr. Callahan.

   Mr. Callahan observed that the allocation to domestic equities versus international equities has increased over time. Within the domestic equity class the large cap portfolio was recently all moved to the passive S&P 500 Index, retaining two active small cap managers. There are four international active managers, three with limited exposure to emerging markets, and one dedicated emerging markets equity manager.

   For the fixed income portfolio, Mr. Callahan indicated that given current low interest rates it is reasonable to consider modifications. Mr. Callahan explained that if interest rates rise from current record low levels, then bond prices would go down. Furthermore, Mr. Callahan pointed out that prices of non-agency securities have reached maturity with limited further opportunity for returns. Similarly, he characterized U.S. Treasurys as richly overvalued. Chair Richardson observed that interest rate trends tend to last a long time and compounded yields over time may make up for lower bond values.

   Mr. Callahan presented proposed changes to asset classes and allocations. First, the recommendation is to reduce domestic equity by 1% and allocate the same amount to global ex-U.S. equity. Within global ex-US equity, the allocations to international small cap and emerging markets would increase, making global ex-US equity 40% of total equity.

   The allocation to fixed income would be reduced to 23% from 26%, with a portion devoted to global bond opportunities that would provide diversification. Finally, the real estate target would be increased from 12 to 15%, allocated in equal portions to existing core strategies. There is no change to the 8% private equity target.

   In summary, Mr. Callahan presented an analysis showing a modest increase in the projected ten-year return based on the proposed asset allocations. In responding to
trustee inquiries, Mr. Callahan explained that potential inefficiencies in international
currencies represent an opportunity in global fixed income strategies

Based on discussions regarding the strategy and structure of the Woodmont real
estate portfolio, Chair Richardson and Mr. Wickman recommended formation of an
ad hoc committee. Board Chair Bolger appointed herself and Trustees Given,
Piombo, and Webb to the committee.

It was M/S Gladstern/McFarland to adopt revisions to asset classes and allocation targets
recommended by Mr. Callahan on page 4 of Callan Associates’ Asset Allocation Review. The
motion was approved by unanimous vote.

Chair Richardson recessed the meeting for a break at 10:58 A.M. reconvening at 11:10 A.M.

Mr. Callahan reviewed specific changes to portfolios as a result of the new
allocations. For the increase to emerging markets, Trustees Bolger and Brenk
expressed a preference for engaging a new manager. An emerging markets equity
manager search will be conducted and the current emerging markets equity manager
will be included in the search. There will be a search by Callan Associates for a
global fixed income manager. Discussions included considering whether there is a
need for two core plus fixed income managers.

2. Due Diligence Report – Clifton

Callan Associates Vice President Uvan Tseng presented a report on the April 23,
2013, due diligence site visit to the Clifton Group attended by Mr. Tseng and
Trustees Richardson, Smith and Webb. Mr. Tseng stated that the visit included
discussions with key personnel Orison “Kip” Chaffee, Managing Director, and Jack
Hansen, Chief Investment Officer. The on-site reinforced the Trustees’ and Callan’s
conviction in the firm and the overlay program. Mr. Tseng stated that Clifton
continues to operate in an independent manner since its acquisition by Parametric as
of December 31, 2012. Chair Richardson expressed confidence in Clifton’s
personnel and strategies and encouraged trustees to participate in due diligence visits
as a worthwhile and educational endeavor.

3. Consider and take possible action on Amendment to Investment Policy Statement to
add UBS Trumbull Property Fund Statement of Objectives, Guidelines & Procedures
(Action)

It was M/S Smith/Given to adopt amendments to the Investment Policy Statement as itemized in
Agenda Items D.3, D.4, and D.5. The motion was approved by unanimous vote.

4. Consider and take possible action on Amendment to Investment Policy Statement to
add AEW Capital Management Core Real Estate Statement of Objectives, Guidelines & Procedures (Action)

See Item D.3 above.
5. Consider and take possible action on Amendment to Investment Policy Statement to remove Cornerstone Real Estate Advisers Statement of Objectives, Guidelines & Procedures (Action)

See Item D.3 above.

6. System Risk Review – SF Sentry
Presentation and discussion of system risk analysis

Scott White of SF Sentry presented the system risk report as of March 31, 2013. Mr. White stated that during the quarter the S&P 500 reached an all time high and volatility continues to come out of the market.

Mr. White explained two approaches to risk assessment. First, the Value at Risk (VaR) analysis which is based on a variance/covariance approach using 72 risk factors that are calculated and mapped. Second, a historical simulation calculates worst-case one-month loss values for the past two years. According to Tim Holmes of SF Sentry, the historical evaluation gives a better sense of potential shocks to the portfolio. Mr. White reviewed monthly VaR and historical simulation risk values at the 95% and 99% confidence levels. In response to Trustee Gladstern’s inquiry, Mr. White explained that the risk amounts should be assessed as to whether the values could cause permanent damage to the Fund. He explained that asset allocation drives the risk values.

Discussions included Trustee Piombo’s observation that Callan Associates assesses asset allocation risk and that regular quarterly risk analysis may not add value. In response, Mr. White stated that the system risk analysis is a deeper and more frequent analysis based on real portfolio values, and can be used to assess the impact of potential changes to asset allocations. Trustee Given noted that the analysis exposes holdings that are duplicated across managers.

Mr. Holmes presented a quantitative summary, noting low volatility in the equity portfolio, worldwide market correlation, and a relative bias to growth sectors. In fixed income portfolios, the Wellington cash exposure is reduced and interest rate sensitivity is increasing as spreads compress. The asset allocation change to add global fixed income will increase diversification and therefore reduce risk, according to Mr. Holmes. He stated that the decreasing value of top ten holdings indicates increased diversification for the fixed income portfolios.

Trustee Given recommended that the Finance and Risk Management Committee reassess the value of regular system risk reports.

There being no further business, Chair Richardson adjourned the meeting at 12:25 P.M.